

K.H. Leather Industries

Greater output, productivity & quality wears well



KHLI is a SA 8000 and SATRA certified company, and is amongst the top ten exporters in India's luxury footwear contract manufacturing sector. KHLI produces approximately 1.3 million pairs of high quality shoes per annum for global brands like Tommy Hilfiger, Ecco, Mephisto, Camper, and Sioux. With global competition heating up - particularly from Chinese manufacturers - and KHLI's customers focused on optimizing their supply chain, it was imperative that KHLI embedded best practices in its manufacturing process and became even more cost competitive.

"We let go an order of 1 lac pairs of shoes (approx. 8% of annual volume) prior to Renoir's entry, as we were not sure about the outcome of the project. In hindsight, we could have easily fulfilled the order"

Mr. Akther Hussain,
Director, KHLI

Key Results

Increase in throughput by 20%-30% at all the six units

Improvement in manpower productivity at all units by 10%-20%

Reduction in overtime by 20%-25%

With this in mind, KHLI engaged Renoir to improve operational efficiencies by implementing management control systems in the areas of operations, maintenance, quality, stores, purchasing, planning, and new product development. The scope comprised the Tannery, four upper manufacturing units and one full shoe manufacturing unit.

PROJECT APPROACH

Initiating change: Renoir carried out a rigorous 8 week Focus Process® which looked at: management control systems; business processes; performance levels; organization structure; supervisory and managerial issues, planning, maintenance systems and waste. Taskforce members (change-agents) were selected from each unit and trained in the Renoir methodology. Baseline performance was captured based on historical data.

Renoir consultants and the taskforce found that throughput and productivity was low, manufacturing lead times and overtime levels were high and delivery performance was unsatisfactory. There were high levels of rework and rejection, and 'surprises' in the planning process. Controls of material consumption, other operating expenses, waste, maintenance costs, and absenteeism were not effective.

The key levers identified to improve manufacturing efficiency were:

- Alignment of material requirements planning, production planning, and distribution planning to demand
- Ensuring uninterrupted flow of materials (Flow management) across the entire value chain (tannery, upper and full shoe units)
- Implementing systems across functions for timely escalation and corrective actions
- Measuring quality defects and installing systems for corrective and preventive actions, and
- Training and development of the management staff on latest tools and techniques of operational excellence

Implementing Change:

Seven Management Action Teams (MATs), comprised of supervisors and managers, were set-up to oversee and guide the change process. The new systems and processes were discussed, deliberated and refined in these forums to ensure buy-in from the users, and ease the process of implementation. Some of the key changes implemented were:

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- Setting-up a centralized planning function to ensure complete alignment with customer priorities. Sales and operations planning (S&OP), master production schedule (MPS), demand planning and supply planning meetings were initiated to ensure adequate organization preparedness towards delivery commitments
- Creating visibility within the manufacturing process for uninterrupted flow of materials by timely reporting of progress at every stage in the value chain, thereby ensuring timely decisions and corrective actions
- Initiating measurement of key performance indicators across functions and implementing appropriate supervisory and managerial controls
- Reengineering of the Quality assurance and quality control processes so that standards were clearly defined, defects timely identified, and rework and rejection minimized

Sustaining Change :

A rigorous training program was embarked upon to ensure that the workers, supervisors and managers understood the same business language. Technical training programs on Value Stream mapping, process mapping, pokayokes, waste identification and elimination / reduction, Root cause analysis along with behavioural training programs like Time Management, Communication, Effective Meetings were conducted to enhance the skills and competencies of the employees. Comprehensive Situational Audit tools were designed to ensure zero slippage on compliance of the new systems implemented. The audits also gauged the understanding and usage levels of the new systems to assess the improvement in the desired behavioural and cultural change.

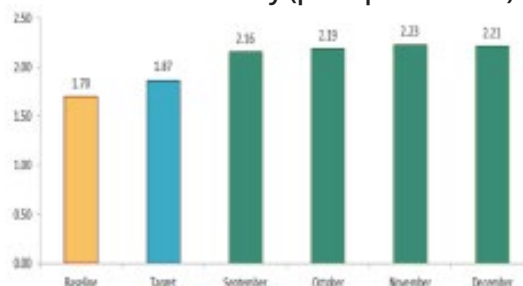
Results:

Some of the intangible benefits included strengthening of the second line management, knowledge of application of best practices across organization levels, and total strategic alignment towards the organizational objectives. Graphs below indicate the tangible benefits.

Upper Unit B Production (no. of pairs)



Full Shoe Productivity (pairs per man/hr)



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